USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network



Voluntary _ Public

**Date:** 9/20/2010

**GAIN Report Number:** IT1040

# Italy

**Post:** Rome

# Italian Tree Nuts 2010

**Report Categories:**

Tree Nuts

**Approved By:**

James Dever

**Prepared By:**

Stefano Baldi

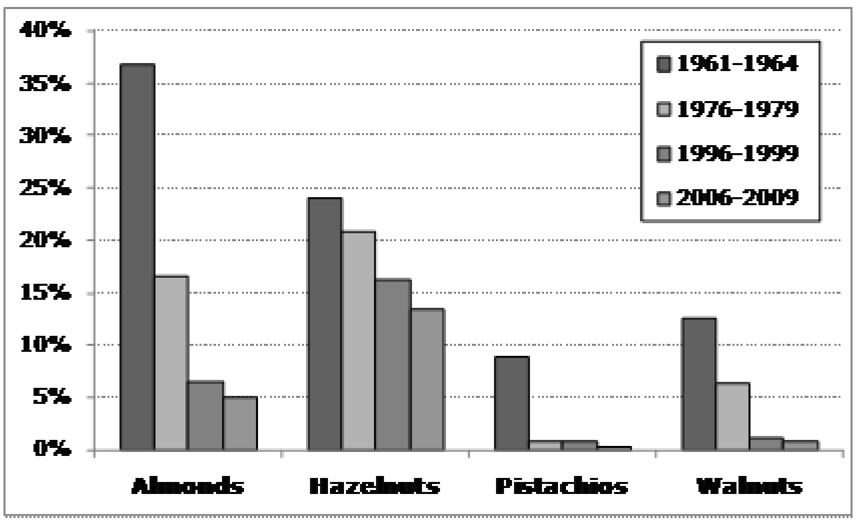
**Report Highlights:**

The Italian tree nuts sector has been going through a significant restructuring process over the last decades which have affected both planted areas and production, hence eroding the Italian share in world production. According to first estimates, in MY 2010/2011 Italian tree nut production will be at 2,500 MT for pistachios, 6,000 MT for almonds, 15,000 MT for walnuts and 87,000 MT for hazelnuts.

**General Information:**

The Italian tree nuts sector has been going through a significant restructuring process over the last decades which have affected both planted areas and production, hence eroding the Italian share in world production.  This is mainly due to a lack of organization among farmers, decreasing investments, strong competition from other countries, (including the U.S. when it comes to almonds and walnuts.)  Italy is no more self-sufficient and has become a net tree nuts importer. As mentioned in previous Post reporting (GAIN report IT7027), planted area figures included in the PS&D table are those officially reported by ISTAT, the National Institute of Statistics.  However, most traders believe that this is an over-estimation due to the ongoing unreported uprooting of the oldest, less productive trees, while the planting of new orchards remains minimal.

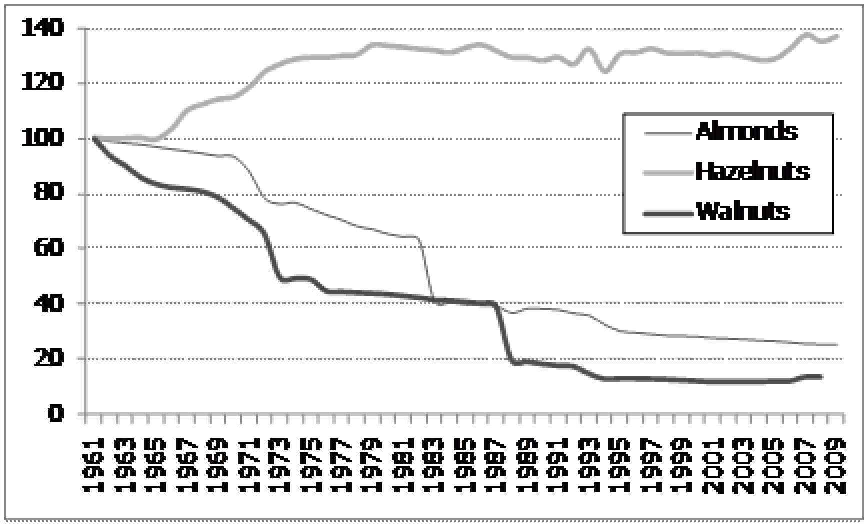
**Italian tree nuts production share in world production**




*Values refer to in-shell production.

*Source: FAOSTAT.*

**Tree nuts harvested area trend index (1961=100)**




*Source: FAOSTAT.*

**I - PISTACHIOS**

**Production, Supply and Demand (ha, MT)**

| Pistachios, Inshell Basis | 2008/2009<br>MY Begin: Sep 2008<br>Current post data | 2009/2010<br>MY Begin: Sep 2009<br>Current post data | 2010/2011<br>MY Begin: Sep 2010<br>Current post data |
|---|---|---|---|
| Area Planted | 3,657 | 3,537 | 3,600 |
| Area Harvested | 3,642 | 3,515 | 3,550 |
| Beginning stocks | 800 | 200 | 800 |
| Production | 2,812 | 3,109 | 2,500 |
| Imports | 9,500 | 10,500 | 10,800 |
| Total Supply | 13,112 | 13,809 | 14,100 |
| Exports | 1,500 | 1,700 | 1,700 |
| Domestic consumption | 11,412 | 11,309 | 12,200 |
| Ending stocks | 200 | 800 | 200 |
| Total Distribution | 13,112 | 13,809 | 14,100 |

**Production**

Most of the Italian pistachio production comes from Sicily (Bronte area) with over 90% of the cultivation. In addition to that, the largest part of the Italian crop is harvested in alternate years. This is due to the rotation bearing, with a tendency for wide cyclical swings in yields, which means that MY 2010/2011 will be a lower quantity year, estimated at 2,500 MT. Pistachios coming from the Bronte area are sold under a PDO (Protected Designation of Origin) label, issued by the EU Commission in 2010. Being a PDO product means that farmers have to follow specific production requirements which guarantee a high quality level but implies higher harvesting costs. In recent years, pistachio production has slightly expanded to other areas in Sicily where newer, less labor and input intensive orchards have been planted.

**Consumption**

Italian in-shell pistachios are traded as a snack food or as an ingredient; shelled pistachios are used by bakeries and food companies, while milled pistachios are mainly used by ice-cream makers. In MY 2010/2011 the Italian consumption of pistachios is expected to increase to 12,300 MT.

**Trade**

The Italian pistachios supply is not sufficient to cover domestic demand triggering significant import flows from third countries, such as the United States, Germany and Belgium. However, while the U.S. is a producing country, Germany and Belgium basically re-export their imports mainly coming from Iran. In MY 2010/2011 imports are expected to rise slightly as a consequence of the lower domestic harvest.

## II - ALMONDS

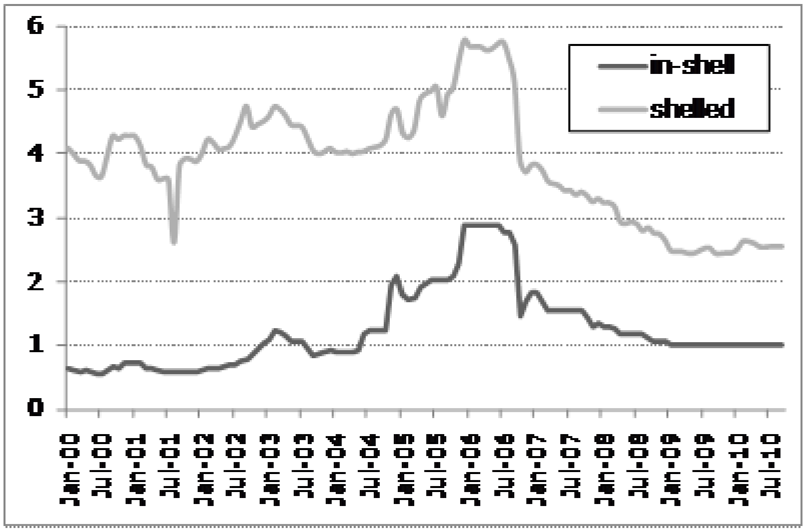
**Production, Supply and Demand (ha, MT)**

| Almonds, Shelled Basis | 2008/2009<br>MY Begin: Sep 2008 | 2009/2010<br>MY Begin: Sep 2009 | 2010/2011<br>MY Begin: Sep 2010 |
|---|---|---|---|
| | Current post data | Current post data | Current post data |
| Area Planted | 79,518 | 79,562 | 79,200 |
| Area Harvested | 79,094 | 79,464 | 79,100 |
| Beginning stocks | 1,000 | 1,000 | 1,000 |
| Production | 12,000 | 6,000 | 6,000 |
| Imports | 25,885 | 33,000 | 35,000 |
| Total Supply | 38,885 | 40,000 | 42,000 |
| Exports | 4,871 | 6,000 | 6,500 |
| Domestic consumption | 33,014 | 33,000 | 34,500 |
| Ending stocks | 1,000 | 1,000 | 1,000 |
| Total Distribution | 38,885 | 40,000 | 42,000 |

**Production**

Italian MY 2010/2011 almond production is not expected to differ from the previous year harvest, and will remain at around 6,000 MT. Due to strong competition from the Californian almond producers who trade at lower prices, almond cultivation is turning out to be more and more unprofitable. Almond fields are often located in less favored areas where mechanization is not always feasible, additionally, old orchards, lack of investments and traditional production techniques have not allowed for high and constant yields over the years. Moreover, due to decreasing profitability, many farmers have been abandoning this crop or shifting to other crops that allow them to earn higher margins (citrus fruit, wine grapes, horticultural products). For these reasons, planted area is forecasted to further decline in the next MYs.

**Italian almonds price trend (Jan 2000-Sept 2010, euro/kg)**



*Source: Ismea.*

**Consumption**
In MY 2010/2011 almond consumption is forecasted to remain stable. In-shell almonds are mainly sold for fresh consumption. On the other side, shelled almonds can be milled and used by the confectionery industry and bakeries especially companies producing confetti (traditional sugar-coated almonds).

**Trade**
In MY 2010/2011, both imports and exports of almonds are forecasted to grow as a consequence of cheaper foreign shelled almonds coming from Italy's main suppliers – the U.S. and Spain. Italy exports its' almond production in Northern European markets (mainly Germany, France and the UK).

**III - WALNUTS**
**Production, Supply and Demand (ha, MT)**

| Walnuts, Inshell Basis | 2008/2009 MY Begin: Oct 2008 | 2009/2010 MY Begin: Oct 2009 | 2010/2011 MY Begin: Oct 2010 |
|---|---|---|---|
| | Current post data | Current post data | Current post data |
| Area Planted | 4,000 | 4,000 | 4,100 |
| Area Harvested | 3,500 | 3,500 | 3,600 |
| Beginning stocks | 300 | 2,000 | 300 |
| Production | 17,000 | 12,000 | 15,000 |
| Imports | 27,707 | 29,000 | 30,000 |
| Total Supply | 45,007 | 43,000 | 45,300 |
| Exports | 4,639 | 4,500 | 4,700 |
| Domestic consumption | 38,367 | 38,200 | 38,600 |
| Ending stocks | 2,000 | 300 | 2,000 |
| Total Distribution | 45,007 | 43,000 | 45,300 |

**Production**
Italy lost its' walnut market leadership a few decades ago, reducing its self-sufficiency and

importing from third countries (mainly California). Farmers haven't been able to innovate, and have chosen to grow walnuts trees both for their wood and for their fruits. However, this approach hasn't allowed for obtaining the best yields and increased production costs have negatively affected crop profitability. Domestic production is still on a declining trend, and MY 2010/2011 walnut production is forecasted at 15,000 MT, increasing from previous year levels. The hazelnuts harvesting period has been postponed due to cold and rainy weather which occurred in late spring.

**Consumption**

Walnut consumption in MY 2010/2011 should remain stable at approximately 38,600 MT. In-shell and shelled shape for fresh consumption walnuts are mainly purchased during the winter months.

**Trade**

Italy mainly imports in-shell walnuts produced in the U.S., France, Chile and Argentina. In MY 2010/2011, almond imports are expected to increase due to cheaper foreign almonds imports.

## IV - HAZELNUTS

**Production, Supply and Demand (ha, MT)**

| Hazelnuts, Inshell Basis | 2008/2009 MY Begin: Sep 2008 | 2009/2010 MY Begin: Sep 2009 | 2010/2011 MY Begin: Sep 2010 |
|---|---|---|---|
| | Current post data | Current post data | Current post data |
| Area Planted | 71,050 | 72,039 | 71,000 |
| Area Harvested | 69,403 | 70,526 | 69,000 |
| Beginning stocks | 1,000 | 23,000 | 12,000 |
| Production | 125,000 | 95,000 | 87,000 |
| Imports | 62,078 | 62,000 | 60,000 |
| Total Supply | 188,078 | 180,000 | 159,000 |
| Exports | 27,168 | 30,000 | 30,000 |
| Domestic consumption | 137,910 | 138,000 | 128,000 |
| Ending stocks | 23,000 | 12,000 | 1,000 |
| Total Distribution | 188,078 | 180,000 | 159,000 |

Italy is the second largest hazelnut producer in the world (13.5% of total output) ahead of the U.S. and behind Turkey whose huge supply largely affects world market prices. Italian hazelnut tree farms have been increasingly improving their production techniques (irrigation, fertilization, pesticide use, mechanization, etc.) hence enhancing the average yield per hectare and maintaining the Italian competitiveness in the world market.

Hazelnut crops are spread all around the Italian territory located in specific areas (Piedmont region in the North, Viterbo province in the center, Sicilian region and Avellino province in the South).

**Production**

MY 2010/2011 hazelnut production is estimated at 87,000 MT decreasing from the previous MY. Cold temperatures and heavy rain which occurred in May and early June delayed the August-September crop which is expected to be harvested 15 days later than the usual period. In addition to that, while crop in the North of Italy is likely to be higher than in MY 2009/2010, in the South (especially in Avellino province) nuts have been hit by fungi and insects which severely damaged crop quantity and quality. After a weak start, a positive increase in price has been recorded in the last few months thanks to a lower harvest both in Turkey and in Italy. In general, planted area should be close to 70,000 hectares as in MY 2009/2010.

**Consumption**

In MY 2010/2011 hazelnut consumption is forecasted at 128,000 MT slightly lower than in MY 2009/2010. Hazelnuts in Italy are sold both in-shell and shelled shape. In-shell hazelnuts are generally sold as a snack for fresh consumption while shelled ones (both whole and milled nuts) are usually used as a raw material for confectionary and bakery food companies. Furthermore, low quality shelled hazelnuts are often used by cosmetic companies. Approximately 90% of the Italian harvest goes to processing companies whereas fresh consumption represents the remaining 10%.

**Trade**

According to final data for MY 2009/2010 and to MY 2010/2011 estimates hazelnuts trade is not expected to increase that much, despite lower prices of the Turkish production. Figures show a stable trend over the years, with imports of shelled hazelnuts mainly coming from the world leader Turkey. Exports of shelled products are destined to Germany, Switzerland and France.

**Policy**

In May 2010 the Italian Ministry of Agriculture issued a new decree adopting EU Regulation 73/2009 about tree nuts (almonds, hazelnuts, walnuts, pistachio and carob) area payments. The maximum payment per hectare is 362 euros, split between 241.15 euros from the EU and a maximum national payment of 120.75 euro.

***Abbreviations and Definitions Used in this Report***

Conversion factors used to convert shelled to in-shell tree nuts:

| | |
|---|---|
| Almonds: 3.3 | Hazelnuts: 2.03 |
| Walnuts: 3.3 | Pistachios: 1.5 |

HS Codes:
Almonds: Shelled 080212; In-shell 080211
Walnuts: Shelled 080232; In-shell 080231
Filberts/Hazelnuts: Shelled 080222; In-shell 080221
Pistachios: 080250

Ha hectare; 1 ha = 2.471 acres
MT Metric ton = 1,000 kg
MS EU member state(s)

MY Marketing Year

| | |
|---|---|
| Almonds, Hazelnuts and Pistachios: | September/August |
| Walnuts: | October/September |

***Sources used in this report:***

Istat Istituto Statistico Italiano/Italian statistical center

FAOSTAT FAO Statistical database

ISMEA Istituto di Servizi per il Mercato Agricolo Alimentare/Center providing services for the agricultural and food market